

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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EMMETSBURG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2006 Election)

Karla Anderson	President	2006
Dave Van Oosbree	Vice President	2006
Don Hagen		2007
Paul Herbers		2007
Scott Dettmann		2008
Steve Pelzer		2007
Kent Egland		2008

(After September, 2006 Election)

Karla Anderson	President	2009
Dave Van Oosbree	Vice President	2009
Don Hagen		2007
Paul Herbers		2007
Scott Dettmann		2008
Steve Pelzer		2007
Kent Egland		2008

School Officials

John Joynt	Superintendent
Patricia Swanson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 6, 2008 on our consideration of Emmetsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,427,747 in fiscal year 2006 to \$6,655,012 in fiscal year 2007, while General Fund expenditures increased from \$5,779,701 in fiscal year 2006 to \$6,870,864 in fiscal 2007.
 - Expenses increased due to normal salary increases as well as taking architectural fees from the General Fund prior to bond approval and issuance.
 - General Fund revenues increased over \$200,000 primarily due to increases in tuition and state sources revenues.
 - The General Fund balance decreased over \$215,000 to finish the year with a positive balance of over \$1,080,000. Just four years ago, the District's General Fund was in a deficit financial position.
 - The District began collecting local option sales and services taxes in fiscal year 2005. This money is to be used for property tax relief, debt retirement, equipment and building projects.
- The District passed a bond issue for additions to and remodeling of the high school building. The building will now house grades 5-12. Funds for the construction will come from existing capital projects monies and sources as well the bond issue.
- The District fully retired its existing capital loan notes, thus freeing up over \$125,000 per year in the PPEL Levy.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Emmetsburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Emmetsburg Community School District Annual Financial Report

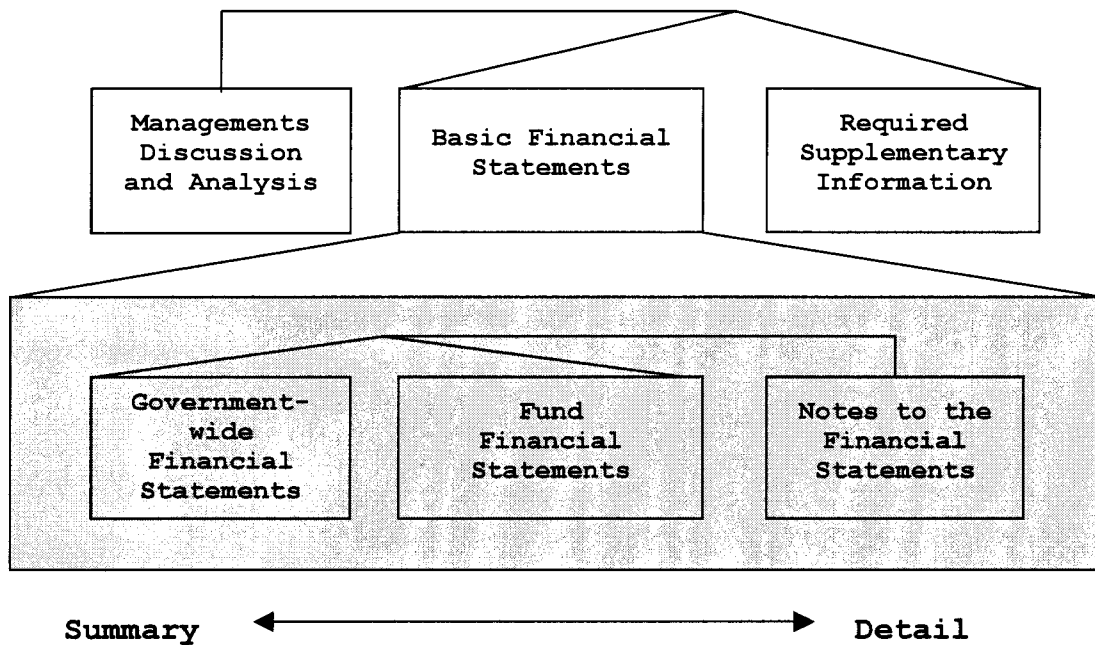


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Fund - The District accounts for the flex benefit program in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	13,090	5,608	14	10	13,104	5,618	133.25%
Capital assets	2,668	2,753	3	6	2,671	2,759	-3.19%
Total assets	<u>15,758</u>	<u>8,361</u>	<u>17</u>	<u>16</u>	<u>15,775</u>	<u>8,377</u>	<u>88.31%</u>
Current liabilities	3,153	3,275	8	4	3,161	3,279	-3.60%
Non-current liabilities	7,493	208	-	-	7,493	208	3502.40%
Total liabilities	<u>10,646</u>	<u>3,483</u>	<u>8</u>	<u>4</u>	<u>10,654</u>	<u>3,487</u>	<u>205.53%</u>
Net Assets							
Invested in capital assets, net of related debt	2,668	2,628	3	5	2,671	2,633	1.44%
Restricted	1,036	653			1,036	653	58.65%
Unrestricted	1,408	1,597	6	7	1,414	1,604	-11.85%
Total net assets	<u>5,112</u>	<u>4,878</u>	<u>9</u>	<u>12</u>	<u>5,121</u>	<u>4,890</u>	<u>4.72%</u>

Unrestricted net assets decreased primarily due to the District using the General Fund to pay for architectural fees. Restricted assets grew as the Capital Projects Fund continued to accumulate funds for future infrastructure projects.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2007 and 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

(Expressed in thousands)

Governmental		Business type		Total		Total
Activities		Activities		District		Change
2007	2006	2007	2006	2007	2006	2006-07
\$	\$	\$	\$	\$	\$	
703	557	208	203	911	760	19.87%
1,143	1,029	145	142	1,288	1,171	9.99%
2,615	2,666	-	-	2,615	2,666	-1.91%
379	360	-	-	379	360	5.28%
440	365	-	-	440	365	20.55%
2,462	2,345	-	-	2,462	2,345	4.99%
81	49	-	-	81	49	65.31%
48	90	-	-	48	90	-46.67%
7,871	7,461	353	345	8,224	7,806	5.35%
4,389	4,121	-	-	4,389	4,121	6.50%
2,614	2,002	-	-	2,614	2,002	30.57%
-	-	356	348	356	348	2.30%
634	333	-	-	634	333	90.39%
7,637	6,456	356	348	7,993	6,804	17.48%
234	1,005	(3)	(3)	231	1,002	-76.95%

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,871,705 and expenses were \$7,637,436.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
	\$	\$		\$	\$	
Instruction	4,389	4,121	6.50%	2,885	2,846	1.37%
Support Services	2,614	2,002	30.57%	2,579	1,924	34.04%
Other expenses	<u>634</u>	<u>333</u>	<u>90.39%</u>	<u>328</u>	<u>100</u>	<u>228.00%</u>
Totals	<u>7,637</u>	<u>6,456</u>	<u>18.29%</u>	<u>5,792</u>	<u>4,870</u>	<u>18.93%</u>

- The cost financed by users of the District's programs was \$703,360.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$579,637.
- The net cost of governmental activities was financed with \$2,614,304 in property tax, \$2,462,454 in state foundation aid, and \$80,959 in interest income.

Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$353,172 and expenses were \$355,971. The revenues include charges for services, contributions, and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

The Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$5,112,078, a 5% increase over last year's ending fund balance of \$4,877,809.

Governmental Fund Highlights

Several factors contributed to the changes of the fund balances in the District's governmental funds.

- The District received \$440,000 in local option sales and service taxes. This money is being saved for future infrastructure projects.
- The District controlled discretionary spending in all areas.
- The District used General Fund monies for architectural costs prior to the approval and issuance of bonds.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased approximately \$3,000 in Fiscal 2007 primarily due to increased food costs outpacing increases in revenues.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

The budget was amended during the year to reflect bond issues costs. Actual expenditures did not exceed neither the amended budget amounts nor the unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$2.6 million, net of accumulated depreciation, by the end of fiscal year 2007 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year as well as purchased three new vehicles. Total depreciation expenses for the year exceeded \$180,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

Governmental	Business type	Total	Total
Activities	Activities	District+Al	Change
June 30,	June 30,	June 30,	June 30,
2007	2006	2007	2006
\$	\$	\$	\$
Land	10	10	-
Buildings	2,408	2,502	-
Furniture and equipment	251	241	5
Totals	2,669	2,753	5

Long-Term Debt

The District issued \$7,425,000 of general obligation bonds for building additions and remodeling. The bonds have an interest rate of 4.0% and will fully mature in 2027. The principal and interest on the capital loan notes were paid in full on June 1, 2007.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

Total	Total
District	Change
June 30,	June 30,
2007	2006
\$	\$
General obligation bonds	7,425
Capital loan notes	-
Early retirement	68
Totals	7,493

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2007 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- The District hopes to achieve future savings by combining the junior and senior high schools onto one campus.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Swanson, District Business Manager, Emmetsburg Community School District, 205 King Street, Emmetsburg, IA 50536.

Basic Financial Statements

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	9,644,240	-	9,644,240
ISCAP investments	301,523	-	301,523
Receivables:			
Property tax:			
Current year	50,219	-	50,219
Succeeding year	2,635,265	-	2,635,265
Income surtax	304,754	-	304,754
Due from other governments	124,155	-	124,155
Other receivables	29,680	-	29,680
ISCAP accrued interest	90	-	90
Inventories	-	13,936	13,936
Capital assets, net of accumulated depreciation	2,668,570	3,286	2,671,856
Total assets	15,758,496	17,222	15,775,718
Liabilities			
Accounts payable	164,838	8,206	173,044
ISCAP warrants payable	302,000	-	302,000
ISCAP accrued interest payable	2,315	-	2,315
Accrued interest payable	49,500	-	49,500
Deferred revenue:			
Succeeding year property tax	2,635,265	-	2,635,265
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	67,500	-	67,500
General obligation bonds payable	235,000	-	235,000
Portion due after one year:			
General obligation bonds payable	7,190,000	-	7,190,000
Total liabilities	10,646,418	8,206	10,654,624
Net assets			
Invested in capital assets, net of related debt	2,668,570	3,286	2,671,856
Restricted for:			
Management levy	44,307	-	44,307
Physical plant and equipment levy	324,357	-	324,357
Capital projects	747,241	-	747,241
Unrestricted	1,327,603	5,730	1,333,333
Total net assets	5,112,078	9,016	5,121,094

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest		Business Type	
	Charges for Service		Governmental Activities	Total
Expenses				
\$	\$	\$	\$	\$
4,389,301	697,980	806,507	(2,884,814)	(2,884,814)
140,130	-	-	(140,130)	(140,130)
154,341	-	-	(154,341)	(154,341)
1,128,369	-	-	(1,128,369)	(1,128,369)
831,283	-	30,264	(801,019)	(801,019)
360,253	5,380	-	(354,873)	(354,873)
2,614,376	5,380	30,264	(2,578,732)	(2,578,732)
240,007	-	240,007	-	-
53,188	-	-	(53,188)	(53,188)
340,564	-	66,002	(274,562)	(274,562)
633,759	-	306,009	(327,750)	(327,750)
7,637,436	703,360	1,142,780	(5,791,296)	(5,791,296)
Total governmental activities				

Functions/Programs

Governmental activities:

Instruction:

Support services:

Student services

Instructional staff services

Administration services

Operation and maintenance of plant services

Transportation services

Other expenditures:

AEA flowthrough

Interest on long-term debt

Facilities acquisition and construction

Total governmental activities

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities
Expenses				Total
\$	\$	\$	\$	\$
355,971	208,367	144,805	-	(2,799)
7,993,407	911,727	1,287,585	(5,791,296)	(2,799)
				(5,794,095)
Business type activities:				
Non-instructional programs:				
Nutrition services				
Total				
General revenues:				
Property tax levied for:				
General purposes				
Management				
Capital outlay				
Income surtax:				
General purposes				
Capital outlay				
Local option sales tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenue				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 9,680,754
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	304,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,668,570
Long-term liabilities, including notes payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,492,500)
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	<u>(49,500)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,112,078</u></u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,543,492	440,422	279,092	-	135,208	3,398,214
Tuition	633,127	-	-	-	-	633,127
Other	221,471	526	4,067	-	231,276	457,340
State sources	3,013,244	-	85	-	91	3,013,420
Federal sources	243,678	-	25,000	-	-	268,678
Total revenues	6,655,012	440,948	308,244	-	366,575	7,770,779
Expenditures:						
Current:						
Instruction:	4,141,199	-	3,500	-	260,325	4,405,024
Support services:						
Student services	140,130	-	-	-	-	140,130
Instructional staff services	154,341	-	-	-	-	154,341
Administration services	1,128,268	-	-	-	101	1,128,369
Operation and maintenance of plant services	696,910	-	-	-	39,786	736,696
Transportation services	370,009	-	-	-	-	370,009
	2,489,658	-	-	-	39,887	2,529,545

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
AEA flowthrough	240,007	-	-	-	-	240,007
Long-term debt:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Facilities acquisition and construction	-	58,272	282,292	125,000	-	125,000
				3,688	-	3,688
				-	-	340,564
Total expenditures	240,007	58,272	282,292	128,688	-	709,259
	6,870,864	58,272	285,792	128,688	300,212	7,643,828
Excess (Deficiency) of revenues over (under) expenditures	(215,852)	382,676	22,452	(128,688)	66,363	126,951
Other financing sources (uses):						
Proceeds of sale of general obligation bonds	-	7,425,000	-	-	-	7,425,000
Premium from sale of general obligation bonds	-	65,476	-	-	-	65,476
Operating transfers in	-	-	200,000	128,688	-	328,688
Operating transfers out	-	(200,000)	(128,688)	-	-	(328,688)
	-	7,290,476	71,312	128,688	-	7,490,476
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(215,852)	7,673,152	93,764	-	66,363	7,617,427
Fund balances beginning of year	1,296,295	548,589	103,612	-	114,831	2,063,327
Fund balances end of year	1,080,443	8,221,741	197,376	-	181,194	9,680,754

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ 7,617,427

Amounts reported for governmental activities in the
statement of activities are different because:

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 35,450

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	95,582	
Depreciation expense	<u>(180,413)</u>	(84,831)

Early retirement expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 15,723

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (49,500)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(7,425,000)	
Repaid	<u>125,000</u>	<u>(7,300,000)</u>

Change in net assets of governmental activities (Exhibit B) \$ 234,269

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>208,367</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	130,509
Benefits	37,921
Services	2,323
Supplies	183,864
Depreciation	<u>1,354</u>
Total operating expenses	<u>355,971</u>
Operating (loss)	<u>(147,604)</u>
Non-operating revenues:	
State sources	4,240
Federal sources	140,304
Interest income	<u>261</u>
	<u>144,805</u>
Changes in net assets	(2,799)
Net assets beginning of year	<u>11,815</u>
Net assets end of year	<u><u>9,016</u></u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	208,834
Cash payments to employees for services	(168,430)
Cash payments to suppliers for goods or services	(164,135)
Net cash (used in) operating activities	(123,731)
Cash flows from non-capital financing activities:	
State grants received	4,240
Federal grants received	119,230
Net cash provided by non-capital financing activities	123,470
Cash flows from investing activities:	
Interest on investments	261
Net (decrease) in cash and cash equivalents	-
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	-
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(147,604)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,354
Decrease in other receivables	467
Commodities used	21,074
(Increase) in inventory	(3,515)
Increase in accounts payable	4,493
	(123,731)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	-
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2007, the District received federal commodities valued at \$21,074.

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Agency Fund
	<u>\$</u>
Assets	
Cash and pooled investments	<u>13,959</u>
Total assets	<u>13,959</u>
Liabilities	
Accounts payable	<u>13,959</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Emmetsburg, Iowa, and agricultural area in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Emmetsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District for administering its flex spending plan.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

The Board of Education has designated funds for specific purposes in the General Fund. These are for planning purposes only and are not legally binding.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amount budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,928,014	-	-	4,928,014
Furniture and Equipment	1,128,306	95,582	-	1,223,888
Total capital assets being depreciated	6,056,320	95,582	-	6,151,902
Less accumulated depreciation for:				
Buildings	2,425,669	94,587	-	2,520,256
Furniture and Equipment	887,250	85,826	-	973,076
Total accumulated depreciation	3,312,919	180,413	-	3,493,332
Total capital assets being depreciated, net	2,743,401	(84,831)	-	2,658,570
Governmental activities, capital assets, net	2,753,401	(84,831)	-	2,668,570

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	125,304	-	-	125,304
Less accumulated depreciation	<u>120,664</u>	<u>1,354</u>	<u>-</u>	<u>122,018</u>
Business type activities capital assets, net	<u>4,640</u>	<u>(1,354)</u>	<u>-</u>	<u>3,286</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Plant operation and maintenance

Transportation services

94,587

85,826

180,413

Business Type activities

Food service operations

1,354

1,354

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/07	6/27/08	<u>\$301,523</u>	<u>90</u>	<u>302,000</u>	<u>2,315</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(5) Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Capital Loan Notes	General Obligation Bonds	Total
Balance beginning of year	\$125,000	-	125,000
Additions	-	7,425,000	7,425,000
Reductions	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Balance end of year	<u>\$ -</u>	<u>7,425,000</u>	<u>7,425,000</u>

Capital Loan Notes Payable

The District's Capital Loan Notes were fully retired during the fiscal year ending June 30, 2007.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			
	Rates %	Interest \$	Principal \$	Total \$
2008	4.00	297,000	235,000	532,000
2009	4.00	287,600	245,000	532,600
2010	4.00	277,800	260,000	537,800
2011	4.00	267,400	270,000	537,400
2012	4.00	256,600	280,000	536,600
2013-2017	4.00	1,103,600	1,610,000	2,713,600
2018-2022	4.00	750,800	2,015,000	2,765,800
2023-2027	4.00	<u>309,800</u>	<u>2,510,000</u>	<u>2,819,800</u>
Total		<u>3,550,600</u>	<u>7,425,000</u>	<u>10,975,600</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have attained the age of 55 on or before June 1 of the year of retirement but not exceeded the age of 62 when the benefit is elected. For benefits to be payable, the licensed employee must have completed at least 15 years of full-time service in the district, the last 10 years of which must be continuous employment. The early retirement benefit for each eligible employee is equal to the difference between BA step 4 and the salary reflected from the employee's position on the salary schedule. The benefit (for those electing the cash payment option) shall be payable one-half ($\frac{1}{2}$) on September 15 and one-half ($\frac{1}{2}$) on January 15 following retirement. For those electing the insurance option, the insurance premiums will be paid until the funds are exhausted. Early retirement benefits paid during the year ended June 30, 2007 totaled \$83,223. The cost of early retirement payments expected to be liquidated currently is recorded as a long-term liability in the amount of \$67,500.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$227,272, \$214,351, and \$210,020 respectively, equal to the required contributions for each year.

(7) Risk Management

Emmetsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$240,007 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and	
	Equipment Levy	\$ <u>128,688</u>
Special Revenue:		
Physical Plant and		
Equipment Levy	Capital Projects	\$ <u>200,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(10) Related Party Transactions

The District had \$2,121 of business transactions between the District and District officials during the year ending June 30, 2007. These are described in the Schedule of Findings on Page 42.

(11) Commitments

In October 2006, the voters of the District approved a \$7,425,000 bond issue for additions to and remodeling of the current high school building. This will house all students in 7-12 when completed. The existing junior high building will no longer be used.

In July 2007, construction bids in the amount of \$8,074,807 were accepted in regards to above project. Funding will come from the bond issue and existing capital projects funds and revenue streams.

Required Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
	\$	\$	\$	\$	\$
Revenues:					
Local sources	4,488,681	208,628	4,697,309	4,426,778	4,426,778
State sources	3,013,420	4,240	3,017,660	3,338,530	3,338,530
Federal sources	268,678	140,304	408,982	330,000	330,000
Total revenues	7,770,779	353,172	8,123,951	8,095,308	8,095,308
					270,531
					(320,870)
					78,982
					28,643
Expenditures:					
Instruction	4,405,024	-	4,405,024	4,543,406	4,543,406
Support services	2,529,545	-	2,529,545	2,254,384	2,800,000
Non-instructional programs	-	355,971	355,971	871,510	871,510
Other expenditures	709,259	-	709,259	597,926	900,000
Total expenditures	7,643,828	355,971	7,999,799	8,267,226	9,114,916
					1,115,117
Excess (deficiency) of revenues over (under) expenditures	126,951	(2,799)	124,152	(171,918)	(1,019,608)
Other financing sources (uses)	7,490,476	-	7,490,476	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,617,427	(2,799)	7,614,628	(171,918)	(1,019,608)
					1,143,760
Balance beginning of year	2,063,327	11,815	2,075,142	1,198,638	1,198,638
					876,504
Balance end of year	9,680,754	9,016	9,689,770	1,026,720	179,030
					2,020,264

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District approved one budget amendment in April, 2007 that increased budgeted expenditures by \$847,690.

During the year ended June 30, 2007, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	109,149	70,092	179,241
Property tax receivable:			
Current year	2,658	-	2,658
Succeeding year	150,000	-	150,000
Other receivables	-	-	-
Total assets	<u>261,807</u>	<u>70,092</u>	<u>331,899</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	705	705
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
	<u>150,000</u>	<u>705</u>	<u>150,705</u>
Fund balances:			
Unreserved fund balance	111,807	69,387	181,194
	<u>111,807</u>	<u>69,387</u>	<u>181,194</u>
Total liabilities and fund balances	<u>261,807</u>	<u>70,092</u>	<u>331,899</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	135,208	-	135,208
Other	1,021	230,255	231,276
State sources:	91	-	91
Total revenues	<u>136,320</u>	<u>230,255</u>	<u>366,575</u>
Expenditures:			
Instruction:	16,926	243,399	260,325
Support services:			
Administration services	101	-	101
Plant operation and maintenance	<u>39,786</u>	<u>-</u>	<u>39,786</u>
Total expenditures	<u>56,813</u>	<u>243,399</u>	<u>300,212</u>
Excess (deficiency) of revenues over (under) expenditures	79,507	(13,144)	66,363
Fund balance beginning of year	<u>32,300</u>	<u>82,531</u>	<u>114,831</u>
Fund balance end of year	<u><u>111,807</u></u>	<u><u>69,387</u></u>	<u><u>181,194</u></u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Funds, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Interfund Transfers	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$	\$
Activity Tickets	171	(12,600)	12,449	-	20
Rental Fees	95	(2,570)	2,573	93	5
V Show Choir Rental	5,564	2,758	-	8,322	-
JV Show Choir Rental	3,431	(731)	960	3,302	358
Concert Choir Uniform Rental	216	-	522	91	647
Gifts and Donations	3,827	-	1,260	1,260	3,827
Interest Earned	490	-	2,923	1,604	1,809
Elementary Art Fair	685	67	4,569	4,568	753
Bucks for Books	6,892	(67)	15	6,840	-
Tournaments	1,340	(1,340)	13,639	13,639	-
Middle School Music	-	-	405	72	333
HS Vocal Music	2,434	(1,672)	13,739	14,501	-
HS Instrumental Music	-	806	737	1,543	-
Swing Choir	1,556	485	1,431	-	3,472
Musical/Play	(142)	2,009	2,814	4,681	-
Pupil Insurance	-	-	376	364	12
Pepsi Funds	-	-	16,965	5,144	11,821
FFA	4,891	-	17,467	19,941	2,417
Speech and Drama	-	302	377	679	-
Elementary Student Council	4,233	-	2,635	2,014	4,854
MS Student Council	1,876	-	3,842	8,431	(2,713)
HS Student Council	3,989	-	11,525	12,883	2,631
Concessions	554	-	1,063	539	1,078
Previous Year Aerie	265	395	155	660	155
Present Year Aerie	3,259	(395)	10,525	6,838	6,551
National Honor Society	(66)	201	1,884	2,019	-
Previous Classes	1,147	2,117	-	-	3,264
Class of 2009	(40)	-	2	80	(118)
Class of 2006	-	-	9	60	(51)
Class of 2007	160	(2,182)	2,082	60	-
Class of 2008	(105)	-	18,298	16,997	1,196
Cheerleaders	2,243	-	6,553	7,186	1,610
Peer Counseling	105	-	-	-	105
Spanish Club	20	-	2,397	624	1,793
MS Boys Basketball	-	485	-	485	-
MS Girls Basketball	-	650	-	650	-
MS Football	-	3,129	-	3,129	-
MS Wrestling	-	190	-	190	-
MS Volleyball	-	1,394	-	1,394	-
MS Boys Track	25	35	-	60	-
MS Girls Track	25	10	-	35	-
General Athletics	132	15,612	7,956	9,109	14,591

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Funds, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Interfund Transfers	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$	\$
Speed and Agility	-	-	892	701	191
Volleyball Concessions	422	-	-	422	-
HS Boys Basketball	13,387	(16,710)	7,124	3,801	-
HS Football	11	9,300	22,903	30,265	1,949
HS Baseball	(2,603)	5,316	4,178	6,891	-
HS Wrestling	9,750	(8,400)	10,557	11,907	-
HS Boys Track	(1,290)	6,742	1,348	6,800	-
HS Boys Golf	(13)	1,089	64	1,140	-
HS Girls Basketball	8,144	(10,506)	6,271	3,909	-
HS Volleyball	846	(1,856)	5,186	3,526	650
HS Softball	703	2,261	3,463	6,427	-
HS Girls Track	-	2,671	3,751	6,422	-
HS Girls Golf	-	1,005	96	1,101	-
Journalism	395	-	-	-	395
Towels	3,345	-	1,275	-	4,620
Helping Hands	-	-	1,000	-	1,000
Maier Fund	162	-	-	-	162
	<u>82,531</u>	<u>-</u>	<u>230,255</u>	<u>243,399</u>	<u>69,387</u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,398,214	3,387,786	3,279,793	2,784,860
Tuition	633,127	522,290	417,357	407,700
Other	457,340	386,271	363,099	293,795
State sources	3,013,420	2,860,913	2,932,086	2,911,901
Federal sources	268,678	300,229	208,250	325,503
Total	<u>7,770,779</u>	<u>7,457,489</u>	<u>7,200,585</u>	<u>6,723,759</u>
Expenditures:				
Instruction	4,405,024	4,058,450	4,135,201	4,200,251
Support services:				
Student	140,130	129,598	231,101	280,416
Instructional staff	154,341	163,935	158,401	135,024
Administration	1,128,369	635,668	573,344	704,940
Operation and maintenance of plant	736,696	641,744	536,930	560,012
Transportation	370,009	372,138	361,809	193,044
Other expenditures:				
Facilities acquisition	340,564	93,296	260,086	301,822
Debt Service				
Principal	125,000	125,000	125,000	125,000
Interest and service charges	3,688	7,000	9,813	16,742
AEA flowthrough	240,007	232,284	231,258	236,675
Total	<u>7,643,828</u>	<u>6,459,113</u>	<u>6,622,943</u>	<u>6,753,926</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emmetsburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Emmetsburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Emmetsburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Emmetsburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

Compliance and Other Matters

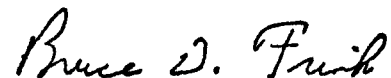
As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmetsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 6, 2008

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

- 07-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.
- 07-II-B Certified Budget - Expenditures for the year ended June 30, 2007, did not exceed the amended certified budget amounts in any of the four functions.
- 07-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 07-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

07-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dave Van Oosbree Board Member	Repairs	\$2,121

The transactions with Mr. Van Oosbree do not exceed the \$2,500 limit allowed by Iowa law.

Recommendation - We recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

07-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

07-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

07-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

07-II-J Certified Enrollment - We noted no variances in the basis enrollment data certified to the Department of Education.